
Appendix L

US 395 Preferred Alignment Benefits Summary

Eastern Region

**U.S. 395 Route Development Plan
Spokane to Stevens County Line**

December 17, 2002

Mr. Roger Krieger
Director of Community Services
City of Deer Park
East 316 Crawford Avenue
Deer Park, Washington 99006

**Subject: Letter of opinion regarding the economic benefits of
US 395 preferred alignment for the City of Deer Park**

Dear Roger:

The Washington State Department of Transportation (WSDOT) has prepared Route Development Plans (RDP) for US 395 in northeastern Washington State north of Spokane for a limited access highway. In concert with the City of Deer Park and the local business community, WSDOT has determined that the segment of US 395 at the City of Deer Park be located adjacent to the west side of the City, with local access provided by frontage roads and a series of on and off ramps. The purpose of this document is to provide an objective opinion as to the economic impacts this preferred alignment will likely have on the Deer Park community.

There are major economic benefits to the City of Deer Park, Washington associated with modifying US 395 into a limited access highway along the immediate west edge of the City. This preferred alignment was selected and strongly endorsed by the Deer Park community after a substantial public involvement process. Local businesses, property owners, and the City of Deer Park will all receive long lasting economic benefits.

This consensus choice avoids major economic costs to the Deer Park community. It is critical to locate the highway alignment adjacent to the City as planned, and not in a rural area to the west. Due heavily to lack of visual exposure and accessibility, existing Deer Park businesses and the community at large would suffer major economic losses if the US 395 were ever located further west from the preferred alignment.

Other more broad-based regional and community benefits will result from implementation of the WSDOT US 395 Route Development Plan. Key benefits include greatly improved highway safety, enhanced north-south freight mobility, and a substantial reduction in worker commute times to the Spokane metropolitan area.

Upon completion of US 395 at Deer Park, sales at highway-oriented retail businesses are forecast to improve substantially. Much of this improvement will be due to easier access and exposure to retailers. Better retail patronage will likely increase local business profits and thereby the ability to pay increased rents to building landlords and prices to land owners. Increased market rents, in turn, will cause escalating property values on both sides of US 395.

The City of Deer Park will receive substantial fiscal benefits from completion of the selected US 395 alignment. The majority of local retail businesses are concentrated near the highway. Since retail sales and property tax revenues are the City's two biggest sources of funds, the above projected positive economic impacts will translate into a substantial improvement in revenue flows to the City. These escalating revenue flows will recur each year and will be critically important to the long term financial future of the City.

It is our overall opinion that the selected US 395 alignment will result in a major long term "win" for local businesses, property owners, the City of Deer Park, and its residents.

Sincerely,

REAL ESTATE ECONOMICS



David T. Eacret, Ph.D.

Revised Supporting Technical Documentation

US 395 Preferred Alignment Benefits Summary

Prepared for
City of Deer Park

East 316 Crawford Avenue
Deer Park, Washington 99006

December 2002

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INTRODUCTION

Overview

The Washington State Department of Transportation (WSDOT) is developing Route Development Plans for US 395 in northeastern Washington State north of Spokane. US 395 is a principal arterial providing a major strategic north-south international link in the western United States. It is also a major commuter route connecting the Spokane urban area to outlying communities to the north.

This study focuses on the segment of this arterial adjacent to the west side of the City of Deer Park (City of Deer Park), Washington. Three segment improvement alternatives were considered. Over the past few years, interested property owners, business operators, City officials, and the local community have attended a series of meetings that have been influential in developing the preferred alternate for US 395 at Deer Park.

The location of this route alternative is now accepted by the community. It is immediately west of the existing US 395 road bed which, in turn, will be designed as the east-side frontage road providing easy access to adjacent and nearby businesses (see Figure 1-1). Similarly, points of controlled access to US 395 and their on/off ramp configurations have also been generally agreed upon by the Deer Park community. However, specific highway engineering design work has not been completed.

After construction, fully controlled access to US 395 will be configured as follows:

- Three northbound US 395 off ramps – Burroughs Road, Main Street, and Crawford Avenue
- Two northbound US 395 on ramps at Crawford Avenue and Dahl Road
- Two southbound off ramps at Crawford Avenue and at H Street
- One southbound on ramp at Burroughs Road
- Four under/overpasses – Burroughs Road, Main Street, H Street, Crawford Avenue

The east-west US 395 under/over crossings will provide safe access to Deer Park commercial and residential development on both sides of US 395 after completion. Parallel one-way local frontage roads are intended to support on/off movement to US 395 as well as to improve access to local businesses and potential development sites.

US 395 in the vicinity of Deer Park will be a new embankment-filled elevated highway. Geotechnical studies revealed that the new highway must be elevated, particularly because of groundwater conditions near the intersection with Main Street.

Implementing the above US 395 Route Development Plans will accomplish several key goals. Highway safety will be greatly enhanced, as will north-south freight and traveler mobility. Economic development in Deer Park can be substantially enhanced by the proposed US 395 preferred alternative plan. Moreover, the community must keep in mind that major economic costs to Deer Park have been avoided by selecting this preferred route alternative that is immediately adjacent to the west side of Deer Park.

Study Purpose

The purpose of this impact study is to analyze and document the economic benefits associated with the above proposed modifications to US 395 at Deer Park. Particular emphasis will be placed on retail-oriented properties and businesses that heavily depend upon visual exposure to approaching traffic and ease of vehicular access for customers.

This economic benefit study will basically focus on three points-of-view:

- *Retailers and other business operators* are most concerned about customer patronage impacts resulting from proposed modifications to US 395 at Deer Park.
- *Land and building owners*, whose property is in close proximity to the proposed alternate for US 395 at Deer Park, are most interested in future valuation impacts.
- *The City of Deer Park* is most interested in cultivating a healthy local economy, including new job creation and an enhanced municipal tax base.

Because most local tax revenue growth will come from increases in property values and in retail sales, the US 395 alternative is particularly important to the City's fiscal future.

Limitations

Due to budget constraints, this analysis of economic impacts of the US 395 alternative at Deer Park is limited. It is not an in-depth analysis, but rather will culminate in a four-page public information document, a Letter of Opinion, and this abbreviated supporting technical documentation.

The key work product to be produced is a four-page public information document summarizing economic benefit study findings. This document will serve to briefly communicate study findings to Washington State legislators, WSDOT representatives, other public officials and local business and property owners. The underlying goal is to help demonstrate the importance of the future US 395 improvements to the economic vitality of the City of Deer Park and its business community.

Sources

The prime contractor for this US 395 Deer Park economic impact study is CH2M HILL. Its Spokane office leads the study. The major subcontractor for this consulting assignment is Real Estate Economics of Sandpoint, Idaho. *The statements and figures throughout this report, while not guaranteed, are secured through sources believed authoritative. The methodology used in preparing this abbreviated economic benefit study incorporates statistical analyses of Deer Park economic, demographic, and retail data, interviews with key local persons considered knowledgeable in various aspects of the Spokane area real estate marketplace, and our consulting team's years of experienced judgment as transportation planners and land use economists.*

FIGURE 1-1
Location of US 395 Route Alternative



EXECUTIVE SUMMARY

The Project

The purpose of this study is to project the economic benefits to the City of Deer Park associated with modifying US 395 into a limited access highway along the west edge of the City. As a result of the public involvement process, a preferred alignment has been selected by the Deer Park community. It is immediately west of the existing US 395 road bed. Upon completion, fully controlled access to US 395 will be configured as follows:

- Three northbound US 395 off ramps – Burroughs Road, Main Street, and Crawford Avenue
- Two northbound US 395 on ramps at Crawford Avenue and Dahl Road
- Two southbound off ramps at Crawford Avenue and at H Street
- One southbound on ramp at Burroughs Road
- Four under/overpasses – Burroughs Road, Main Street, H Street, Crawford Avenue

The key work product produced for this assignment is a four-page public information document summarizing economic benefit study findings. There are two supplemental products: (1) a Letter of Opinion, and (2) supporting technical documentation.

This study is a limited budget effort and therefore not an in-depth analysis. It mainly focuses on retail-oriented businesses and properties that heavily depend upon visual exposure to approaching traffic and customer ease of access.

The Conclusions

The overall conclusion is that construction of the selected US 395 alignment at Deer Park will create substantial economic benefits to local businesses, property owners, and the City of Deer Park. This alignment choice also avoids major economic costs to the community, should the highway be relocated elsewhere.

There are other more broad-based regional and community benefits resulting from implementation of the WSDOT US 395 Route Development Plan. It will greatly improve highway safety, enhance north-south freight mobility, and substantially reduce worker commute times to Spokane.

After completion of US 395 at Deer Park, retail sales of highway-oriented businesses are forecast to substantially improve. Much of this improvement will be due to better customer access and exposure to retailers. Better retail patronage will likely increase local business profits and, thereby, the ability to pay increased rents to building landlords and higher prices to land owners. Increased market rents, in turn, will cause escalating property values on both sides of US 395.

The City of Deer Park will receive substantial fiscal benefits from completion of the selected US 395 alignment at Deer Park. The majority of its retail businesses are concentrated near the highway. Since retail sales and property tax revenues are its two biggest source of funds, the above projected positive economic impacts will translate into a substantial improvement in revenue flows to the City. These escalating revenue flows will recur each year. They will be critically important to the long term financial future of the City.

The Findings

1. Deer Park will continue to be a fast growing commuter community in the Spokane metropolitan area. The current population slightly exceeds 3,000. During the decade of the 1990's, Deer Park was the second fastest growing city in Spokane County.
2. A large share of Deer Park resident workers commute to places of employment in the Spokane urbanized area.
3. Planned improvements to US 395 and the North Spokane Corridor are key factors underpinning a strong population growth forecast for Deer Park. The 2015 population forecast of 5,500 appears achievable, given these transportation plans.
4. Deer Park land use planning and US 395 alignment improvement plans are inexorably linked. The new alignment and access configuration is critical to the City's economic future.
5. Commercial businesses in Deer Park are mainly concentrated near US 395, in the southwestern part of the City. Most are in retailing and, therefore, are heavily dependent upon highway exposure and access in order to attract customers.
6. Retail customer demand in Deer Park is also driven by a host of other complex factors including distance, drive times, physical barriers, shopping habits, safety, and competing retail concentrations.
7. Except for one auto dealership, all of the key retail outlets in Deer Park offer *convenience* goods – mainly groceries, hardware, drugs, fast food, and gasoline. Most patrons at these stores live in or near Deer Park.
8. In contrast, buying power from the relatively small population in the Deer Park trade area will not economically support *comparison* goods-type stores – department store general merchandise, furniture, appliances. Local customers typically will drive substantial distances to comparison shop – mainly to Spokane.
9. If the market for “big box” retail eventually materializes in Deer Park, it is probable that this type of large retail operation would need to be located on the west side of US 395, due to lack of suitable sites east of the highway. No plans for such development exist today.
10. Deer Park convenience goods retail sales continue to grow rapidly. During a 7-year period ending in 2001, local retail sales increased by 50 percent.

11. After completion of US 395 at Deer Park, local retail sales are projected to grow even faster. Key reasons for this include improved retailer exposure, better access, improved highway safety, and reduced worker commute times.
12. Accelerating retail sales will likely increase business profits, thereby enhancing the ability to pay increased rents to building landlords.
13. The projected growth in local retailing will create increased demand for commercial sites near the highway. Therefore, property values will escalate, resulting in a larger property tax base.
14. Since property taxes and sales taxes are the two biggest revenue sources for the City of Deer Park, modifying US 395 is the critical element impacting the community's fiscal future.
15. The cost of *not* selecting this preferred alignment would have been very costly to the Deer Park community. Fortunately, for its residents the right choice was made.
16. The three direct local stakeholders--business, property owners, and the City – will all economically benefit from the US 395 alignment widely preferred by the community.

SECTION 3

LOCAL ECONOMICS OF US 395 ROUTE PLAN

The purpose of this section is to very briefly characterize Deer Park's economic past and future, relative to US 395 impacts. The following economic analysis is therefore limited in scope. It focuses on the dynamics of highway transportation impacts on the Deer Park economy. However, there also are major regional economic implications that are not addressed here. They include increased traffic and freight mobility between the U.S. and Canada, decreased commute times to the Spokane urban area, and a major increase in safety resulting from a new controlled-access highway.

Economic Trends

Deer Park is and will continue to be a bedroom community to the Spokane metropolitan area. Years ago, the economic base of the community was underpinned by logging. Today, aside from a limited amount of surrounding agricultural activity, most working Deer Park residents commute to their place of employment within the Spokane urbanized area. Commuting distances range from 20 to 30 miles, depending on job location in the metropolitan area.

During the decade of the 1990's, Deer Park was the second fastest growing city in Spokane County. Only Airway Heights grew faster. However, at a population count of 3,017 in year 2000, the City comprised less than one percent of countywide population. Table 3-1 (at the end of this section) shows the annual population and relative growth of both Spokane County cities and the unincorporated area during the 1990-2000 period. The City of Deer Park added 739 new residents during the decade – a population increase of nearly one-third from 1990.

Table 3-2 shows the most recent estimated 2001 population counts for Deer Park. Population shares by city are shown relative to the 422,400 countywide population total. Although small at only 0.7 percent of this total, Deer Park is still the fifth largest city in Spokane County.

Population growth can be translated into residential real estate demand. The above 1990-2000 population increase translates into a 10-year requirement for about 275 new housing units in Deer Park – or about 28 dwelling units of all types per year. This estimate is calculated on population growth, divided by average household size. Two-thirds of this annual housing demand (about 18 homes) will be for owner-occupied units, nearly all of which will be single family homes. The remaining one-third of annual demand will be for rental units – approximately 10 units.

Because Deer Park is a relatively small community, the proposed major expansion of US 395 to the Stevens County line will have a disproportionate impact on the City. In addition, eventual completion of the North-South Freeway and its tie-in to US 395 are logically expected to have a magnified growth impact on Deer Park between now and 2015 – a GMA planning horizon. Construction of the first section of the Spokane (North Spokane Corridor)

was started in August 2001. The northern end of this freeway project will connect to US 395 near Wandermere golf course.

The current GMA growth forecast for a Deer Park population of 5,500 by 2015 appears reasonable, given the evolving US 395 and North Spokane Corridor arterial improvements taking place. For example, the average annual rate of growth in the Deer Park population between 1990 and 2000 was 2.85 percent. Simply extrapolating this same growth rate to 2015 results in a population forecast of 4,400 by year 2015. To meet the 5,500 Deer Park population forecast by 2015, average annual growth would have to reach 4.08 percent. This appears achievable, given planned transportation corridor improvements.

The 2000 Census revealed that zip code 99006 which encompasses the City of Deer Park had a resident population of 9,163, or approximately three times the City's population. It is reasonable to expect that the vast majority of local retail patronage comes from persons residing within this zip code.

General characteristics of the Deer Park area population and marketplace behavior include (2000 U.S. Census):

- Deer Park is a mecca for families. The average Deer Park household size is 2.69 persons, while that in the surrounding area is slightly higher.
- Nearly 48 percent of the population is between the ages of 25 and 59.
- The median age in the City of Deer Park is 34 years, while that throughout zip code 99006 exceeds 37 years.
- About two-thirds of the occupied housing units in Deer Park are owned. The incidence of home ownership throughout zip code 99006 exceeds 80 percent.
- Most resident workers commute to jobs in the Spokane metropolitan area.
- Such commuting also causes leakage of local resident buying power – particularly comparison goods such as department store merchandise, furniture, appliances, and automobiles.
- However, most convenience goods (groceries, drugs, gas, hardware) expenditures are captured locally because few residents are willing to drive very far to make such purchases.

In summary, Deer Park can be characterized as a family-oriented bedroom community that effectively offers day-to-day convenience goods. Most larger ticket items are purchased outside the community, mainly in Spokane. US 395 is a crucial infrastructure component for Deer Park commuter workers and comparison goods shoppers.

Local Land Use Implications

Land use and transportation are inexorably linked. The new route and access configuration for US 395 is critical to the economic future of Deer Park. Highway transportation is the essential element that will drive future land use. This is especially true, given the highway orientation to the City's commercial area.

As noted, Deer Park predominantly functions as a bedroom community for residents commuting to jobs in Spokane. If the crucial US 395 transportation element is located elsewhere (or access is poor), market support will be curtailed and Deer Park commercial development will not flourish.

In 1997, the City of Deer Park adopted its Comprehensive Plan to guide future decisions related to land use, economic development, transportation, capital facilities, and utilities. The plan is in compliance with the Washington Growth Management Act which encourages efficiencies in future development. In 1998-1999, this Comprehensive Plan was amended to reconfigure the size and shape of the City's Urban Growth Area (UGA), in light of the new alternative plans to elevate and widen US 395 adjacent to the City's westerly boundary, construct four under/overpasses, and develop parallel frontage roads. This amendment added new lands west of the highway to the UGA.

The newly adopted amendment extensively influences the economic development element of the overall Deer Park Comprehensive Plan. Specifically, the exact future location and access ramps for US 395 will critically impact the City's long range vitality and economic growth potential, both commercial and residential. Good growth potential, in turn, will enable the City through its Comprehensive Plan documentation to apply for future public infrastructure grants and the new "Certified Communities" program, targeted toward facilitating new business opportunities.

TABLE 3-1
1990-2000 POPULATION OF CITIES AND TOWNS
Spokane County

County / Municipality	Census										Census	% Chg
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	90-00
SPOKANE COUNTY	361,333	365,969	374,569	383,600	392,000	401,200	406,500	409,900	410,900	414,500	417,939	15.7%
Unincorporated	165,443	168,436	174,348	180,051	186,054	191,406	197,044	199,088	199,487	202,041	199,019	20.3%
Incorporated	195,890	197,533	200,221	203,549	205,946	209,794	209,456	210,812	211,413	212,459	218,920	11.8%
CITIES:												
Airway Heights	1,971	1,985	2,090	2,390	2,520	2,910	3,640	4,139	4,460	4,495	4,500	128.3%
Cheney	7,723	7,840	7,880	7,870	8,220	8,240	8,180	8,270	8,495	8,545	8,832	14.4%
<i>Deer Park</i>	<i>2,278</i>	<i>2,295</i>	<i>2,375</i>	<i>2,445</i>	<i>2,570</i>	<i>2,750</i>	<i>2,835</i>	<i>2,890</i>	<i>2,920</i>	<i>2,965</i>	<i>3,017</i>	<i>32.4%</i>
Fairfield	516	517	587	590	599	630	638	623	624	605	591	14.5%
Latah	203	185	201	219	211	225	214	220	212	212	202	-0.5%
Medical Lake	3,664	3,744	3,780	3,705	3,660	3,650	3,680	3,790	3,830	3,870	3,815	4.1%
Millwood	1,559	1,665	1,665	1,680	1,705	1,705	1,690	1,675	1,680	1,665	1,649	5.8%
Rockford	481	480	485	494	505	525	519	532	527	517	509	5.8%
Spangle	229	235	235	245	245	250	250	250	250	255	240	4.8%
City of Spokane	177,165	178,469	180,800	183,800	185,600	188,800	187,700	188,300	188,300	189,200	195,629	10.4%
Waverly	101	118	123	111	111	109	110	123	115	130	129	27.7%

Note: 1991-1999 population data are OFM estimates only versus the official 1990 and 2000 U.S. Census data.

Source: U.S. Census, WA Office of Financial Management

TABLE 3-2
RECENT COUNTY AND CITY POPULATION COUNTS
Spokane County

County/ Municipality	Census 2000	Estimate 2001	Shares	
			2000	2001
SPOKANE COUNTY	417,939	422,400	100.0%	100.0%
Unincorporated	199,019	202,710	47.6%	48.0%
Incorporated	218,920	219,690	52.4%	52.0%
CITIES:				
Airway Heights	4,500	4,490	1.1%	1.1%
Cheney	8,832	9,200	2.1%	2.2%
<i>Deer Park</i>	<i>3,017</i>	<i>3,035</i>	<i>0.7%</i>	<i>0.7%</i>
Fairfield	494	591 ^a	0.1%	0.1%
Latah	202 ^a	205	0.0%	0.0%
Medical Lake	3,815 ^b	3,877 ^b	0.9%	0.9%
Millwood	1,649	1,650	0.4%	0.4%
Rockford	413	509 ^a	0.1%	0.1%
Spangle	240	295 ^a	0.1%	0.1%
City of Spokane	195,629	195,700	46.8%	46.3%
Waverly	129 ^a	138 ^a	0.0%	0.0%

Notes:

^a State Certified Special Census

^b Indicates a correction to federal 2000 census count and/or a revised state estimate.

Source: U.S. Census, Washington Office of Financial Management

SECTION 4

DEER PARK RETAILING

The purpose of this section is to characterize the existing Deer Park retail business marketplace relative to US 395. The prime focus is on retail businesses because their economic success is highly correlated with good visual exposure and ease of customer access and parking. This is also true of transient facilities such as highway-oriented motels, although currently none exist in Deer Park. Although office and industrial uses are less dependent on highway visibility, good access and ease of ingress/egress are very important for economic success.

Local Retail Trends

It took many years for downtown commercial business to migrate south and orient their exposure to travelers on US 395. Today, the key retail businesses in Deer Park are located in the southwest part of the City along Main Avenue, between its intersection with US 395 and north to West D Street. Major retailers in this area include two grocery stores (Yokes and Rosauers), two hardware stores (Johnson Hardware and ACE), a meat market (Egger Meats), fast food outlets (McDonalds, Zips), a service station (Chevron), a variety store (Ben Franklin), a drug store (The Medicine Shoppe Pharmacy), and a large auto dealership (Parkway Chevrolet). All of these businesses are oriented toward US 395. They all heavily depend upon visibility and access from US 395.

Except for Parkway Chevrolet, all of the key retail outlets in Deer Park offer *convenience goods*—groceries, hardware, drugs, fast food, gas. Most shoppers patronizing these stores are only willing to drive a short distance to shop for these types of product offerings. Therefore, the existing retail trade area surrounding Deer Park is relatively small. The drive time for the majority of year-round Deer Park convenience goods customers is estimated at 10 minutes or less. Thus, shopping in Deer Park today is very local in nature.

The one exception is the heavy patronage that is captured during the summer season from the many Spokane residents traveling to their lake homes located north of Deer Park. Both local and outside patronage levels depend heavily upon access and exposure from US 395. This is exactly why Deer Park retail business have migrated southwest, in order to gain these key customer attraction advantages.

In contrast, retail concentrations such as Northtown Mall offer *comparison goods*—department store general merchandise, furniture, appliances. Comparison goods stores (including auto dealers) typically have much larger trade areas. Customers are willing to drive substantial distances to comparison shop for price and quality for these mostly larger value goods.

Supply

Existing Inventory

The most recent inventory (1995) of commercial land uses in Deer Park showed 114 commercial land uses in the City. This broad definition of commercial included retail, small service businesses, professional offices, warehousing storage, fraternal, private school, and religious. Table 4-1 shows this distribution of commercial land uses.

TABLE 4-1
1995 COMMERCIAL LAND USE INVENTORY
City of Deer Park

Business Type	Tax Parcels	Net Acres	Share of Acres
Retail Activities	29	46.2	25.0%
Service Activities	27	52.4	28.3%
Business/Professional Uses	11	4.1	2.2%
Other Commercial Activities	24	16.0	8.6%
Warehousing Uses	12	42.7	23.1%
Industrial Uses	0	0	0.0%
Cultural Activities	11	23.6	12.8%
TOTAL	114	185.0	100.0%

Note: Net acreage figures exclude streets and alleys.

Source: Comprehensive Plan—Economic Element, City of Deer Park

This economic benefit analysis focuses primarily on retail businesses because of their location sensitivity in achieving economic success. Accordingly, a field survey was conducted of those Deer Park retail businesses most heavily dependent on US 395 access and exposure. They are located in the southwestern area of the City.

A non-exhaustive inventory of other service businesses elsewhere in the older commercial area of Deer Park was also undertaken. Table 4-2 identifies all of the businesses inventoried. This field work clearly shows that the goods and services offered by these businesses are convenience-oriented and serve the local population.

TABLE 4-2
NON-EXHAUSTIVE INVENTORY OF RETAIL BUSINESSES
City of Deer Park, Summer 2002

Old Downtown		US 395-Oriented SW Area	
Business	Store Type	Business	Store Type
<u>Crawford Center:</u>		<u>West Side of Main Street:</u>	
The Sunshine Shop	Antiques	Yoke's Fresh Markets	Groceries
Standen Insurance	Insurance	Horizon Credit Union	Credit union
Laundry Center	Laundry	Pharmacy @ Yoke's	Drugstore
The Unicorn Mercantile	Tea/gifts	McDonalds	Fast food
General Dentistry	Dentist	Chevron	Gas station
DPC Cleaners	Dry-cleaning	Egger Meats	Meat market
Discount Groceries	Food	Ace	Hardware
Strings & More	Music	Pizza Factory	Pizza
Expressway Exxon	Gas/convenience store	Deer Park Video	Video rental
Quality Automotive	Auto repair	Rose's Café	Family restaurant
Main Edge	Hair designers	Rosauers	Groceries
DP Computer	Computers	The Medicine Shoppe	Drugstore
Grandmas Attic	Second hand goods		
Earl Insurance	Insurance	<u>East Side of Main Street:</u>	
NAPA	Auto parts	Johnson Hardware Do It Center	Hardware
Bank of America	Bank	Deer Park Feed	Feed store/nursery
Tribune	Newspaper	Ben Franklin	Variety store
Peoples Choice	Real estate	Bobbin Along	Fabric & sewing
Deer Park Deli	Delicatessen	Radio Shack	Electronics
Deer Park Restaurant/Lounge	Restaurant/lounge	Acorn Natural Foods	Natural foods
First Realty	Real estate	Double Eagle Pawn	Pawn shop
Deer Park Therapeutic Massage	Massage	Cottage Collectables	Gifts
Hendrickson Industries	Vacuums	Foundation Medical Clinic	Doctors
Erick's Realty	Real estate	Zip Hamburgers	Fast food
Barber Shop	Barber	Washington Mutual Bank	Bank
Liquor Store	Liquor	Ed Bryan Insurance Agency	Insurance
Second Hand Rose	Second hand goods	Subway	Fast food

TABLE 4-2
NON-EXHAUSTIVE INVENTORY OF RETAIL BUSINESSES
City of Deer Park, Summer 2002

Old Downtown		US 395-Oriented SW Area	
Business	Store Type	Business	Store Type
Tanning Salon	Tanning	Accountant	Accounting
Inland Agency	Insurance	Windows & Auto Glass	Glass supplier
Treasurer's	Second hand goods	Parkway Chevrolet	Auto dealer
Deer Park Lube	Auto lube		
Ranch Allegro Takeout	Fast food		
<u>First Street Plaza:</u>			
Sandra K's Salon	Salon		
Susan's Second Hand	Second hand goods		
Chiropractic Clinic	Chiropractor		
Wiley's Second Time Around	Second hand goods		
Deer Park Printing	Printing		
Inland Feed & Farm Supply	Feed/farm supplies		
Classic Espresso Deli	Ice cream/deli		
Griffins Furniture & Flooring	Furniture/flooring		
Salty Dog Eatery	Restaurant		
Real Estate Marketplace	Real estate		

Source: Real Estate Economics Field Inventory

Big Box Retail Potential

The City of Deer Park has extended the Urban Growth Area (UGA) boundary to the west side of US 395. Although highly speculative at the present time, someday rezoning on the west side of the City could allow for the physical accommodation of a large box-type retail concentration. No plans for such a development exist today.

The potential for a “big box” retail pad on the east side of US 395 is limited. Analysis of the market potentials for such a large retail unit is beyond the scope of this economic benefit study. Nevertheless, there are land assemblage constraints in Deer Park on the east side of US 395. Because a relatively large flat land assemblage approximating 7 to 10 acres would be required, it is unlikely that such an eastside site would be available. For example, a 100,000 square foot retail store would typically require at least a ground coverage ratio of one-third. At least seven contiguous flat acres would be required.

Demand

Retail Patronage Behavior

Retailer profitability is achieved by attaining a certain sales per square foot threshold by store type. Capturing retail expenditures is driven by typical shopper behaviors. Good visibility and access from US 395 are critical to capturing sales in Deer Park and therefore achieving economic success.

The marketplace axioms that follow are illustrative of the many factors that retailers would consider in estimating customer patronage potentials at various locations visible and in close proximity to US 395:

- Shoppers will show a pronounced tendency to follow traditional patterns of traffic movement and circulation.
- Shoppers will move toward the most dominant trading center or established business district rather than away from it.
- Shoppers will not go through one trading center or district to get to another, if both retail concentrations contain equivalent facilities.
- Shoppers will show a pronounced tendency to patronize the closest center or commercial district among those offering equal facilities.

Trade Area

From the perspective of a commercial property owner, the key factor justifying retail development at highway-oriented sites in Deer Park is the ability to profitably attract tenants. To do so, prospective retail tenants must be convinced that sufficient market potential sales exist and can be captured from the surrounding trade area and passing traffic to achieve profitability. In their minds, the drawing power strength of such sites will depend upon such factors as:

- Man-made and topographic barriers which channel the movement of shoppers (e.g., US 395 off/on ramps and under/over-crossing locations)
- Customer distance and driving time
- Local shopping habits
- Location and strength of competing retail facilities (e.g., North Division in Spokane)
- Surrounding residential area economics and densities

Thus, retail economic success at US 395-oriented locations in the City of Deer Park will be heavily dependent upon specific physical site attributes such as:

- Visual store exposure to US 395
- Distant retailer signage visibility
- Good freeway on/off access
- Ease of ingress/egress in turning movements to stores
- Improved safety due mainly to:
 - Under/over crossings
 - One-way frontage roads

Retail Buying Power

Developing retail space by itself does not create retail purchasing power. Rather, capturing an adequate volume of sales per square foot is a function of the site's potential competitive effectiveness in the surrounding trade area.¹ The trading area, in turn, is basically created by the response and behavior of individuals in relation to available shopping outlets. Its actual geographic shape is typically a polygon representing the product of individual decisions as to "where to shop" for certain retail goods – such as *convenience goods* in Deer Park.

Deer park stores will draw volume from two trade area sources, the purchasing power of the present trade area population now patronizing existing stores, and new purchasing power accompanying population growth in the surrounding trade area. Such retail sales potentials will weigh heavily on the minds of prospective retail businesses as they consider locating a new store in Deer Park, as area growth in buying power occurs.

Retail Sales Requirements

Table 4-3 presents examples of median store sizes and sales per square foot by type of retail establishment. The list is not intended to be exhaustive. Rather, it illustrates that before a prospective retailer decides to open a store in a location such as Deer Park, the owner has to have reasonable confidence that stabilized sales per square foot of Gross Leasable Area (GLA) will be high enough to achieve profitability. As noted, buying power to achieve such profitable sales thresholds comes from the existing and future population within the retail trade area. Retailer profitability is achieved by capturing sufficient sales per square foot in excess of costs within the competitive marketplace.

Actual sales per square foot data are not available for existing US 395-oriented retailers in Deer Park. However, the following examples of sales per square foot by selected store type give approximate indications.²

Retail Leakage

Estimating existing Deer Park retail capture rates and future market potentials is beyond the scope of this US 395 economic benefit assignment. However, in a 1994 trade area capture rate study, it was estimated that Deer Park retailers were able to capture slightly less than one and a half times the *convenience goods* buying power of the City's population.³ It was estimated that in 1993, about 5 percent of such local sales potential leaked out of the Deer Park community.

However, virtually all retail buying power is leaking out of the community – essentially to the Spokane marketplace. This is because almost no comparison goods stores exist in Deer Park, except Parkway Chevrolet. It is unlikely that this retail condition will change in the foreseeable future. The Deer Park trade area population and corresponding comparison goods buying power is simply too small to economically justify building such store types locally.

¹ It is estimated that the majority of retail sales in Deer Park come from residents living within zip code 99006.

² Aggregate City of Deer Park retail sales by selected standard industrial classifications (SIC) are presented in Table 4-3.

³ Robert Chase, "Realities of Rural Retail," 1994.

TABLE 4-3
RETAIL SALES THRESHOLDS BY STORE TYPE

Business Type	GLA in Square Feet*	Median Sales per Square Foot
Bakery	1,606	\$219
Candy and Nuts	1,042	\$287
Cocktail Lounge	2,555	\$101
Delicatessen	1,475	\$164
Dollar Store/Novelties	4,288	\$144
Doughnut/Muffin Shop	1,500	\$247
Health Food Supplements	1,400	\$242
Ice Cream Parlor	1,080	\$256
Meat Poultry and Fish	2,460	\$280
Restaurant With Liquor	4,953	\$232
Restaurant Without Liquor	3,680	\$222
Supermarket	45,946	\$375
Variety Store	14,700	\$116

GLA = Gross Leasable Area

Source: ULI, Real Estate Economics

SECTION 5

US 395 ECONOMIC BENEFITS FORECAST

The purpose of this section is to project changes in highway-oriented retail sales and corresponding City of Deer Park sales tax/property tax revenues resulting from construction of the selected US 395 alignment. Such changes are estimated by comparing existing trends to these forecasts.

Retail Sales

The City of Deer Park retail market is displaying strong sales trends. Table 5-1 (at the end of this section) presents total retail sales for the 1994-2001 period; and the corresponding chart (Figure 5-1) illustrates that despite volatility in annual sales during the past seven years, a strong upward trend exists.¹ Overall sales have increased by a strong 6.1 percent average annual rate during this seven year period. Food stores, auto dealer/gas stations, and eating and drinking places business classifications have each exceeded this overall rate.

The data also show that the City of Deer Park captured nearly \$48 million in retail sales in 2001. This is a 50 percent increase from the nearly \$32 million recorded just seven years earlier. In terms of 2001 market share, auto dealer/gas stations captured 21 percent, local food store sales comprised nearly 16 percent, and eating and drinking places captured 9 percent of total City retail sales. In contrast, apparel/accessories and home furnishings sales are declining and represent very small shares of total local retail sales.

Given the previously discussed economic benefits associated with construction of the selected US 395 alignment – access, exposure, safety, reduced commute time, freight mobility – it is forecast that retail sales will increase at an annual rate of at least 8 percent per annum during the first 5 years after completion. This projection appears reasonable, given the host of benefits associated with this preferred alignment. However, this forecast assumes that underlying economic conditions in the overall economy will remain similar to those that occurred between approximately 1995 and the present.

City Sales Tax Revenues

Currently, the City of Deer Park is collecting over \$400,000 in retail sales and use taxes annually. This is illustrated in Table 5-2 (at the end of this section). During the 1994-2001 period, these tax revenues increased at a 5.8 percent average annual rate – slightly slower than actual retail sales growth in the City. The table also shows the seasonality of sales tax collections. The heaviest collection months occur during the last calendar quarter of the year.

It is estimated that three-quarters of City sales tax revenues are generated by US 395-oriented businesses located in the southwest portion of Deer Park. Thus, an estimated \$300,000 in sales tax revenues was generated for the City by these retailers in 2001. Because of non-disclosure

¹ Source: City of Deer Park

laws, the actual dollar amount of retail sales taxes collected by individual businesses is not available. Nevertheless, it is very clear that the Deer Park sales tax revenues are inextricably linked to the economic success of its highway-oriented retailers.

It is forecast that upon completion of the selected US 395 alignment, City retail sales tax collections will increase at an average annual rate of approximately 7 percent during the ensuing 5-year period. This increase will be mainly due to the economic benefits associated with improved access and visual exposure of retailers concentrated in southwest Deer Park.

Property Values

Most commercially-zoned properties along US 395 will also benefit economically from the selected alignment. Once again, key reasons for this are improved visibility because the highway will be elevated, good access, major safety enhancements, a reduction in commuting time to Spokane places of employment, and direct connection to Spokane's evolving North-South Freeway.

However, due to right-of-way acquisition requirements, there are negative impacts to at least one business on the west side of US 395. This issue is being addressed by WSDOT.

The overall economic impact of the US 395 preferred alignment will be to substantially improve the value of commercial properties that are concentrated in southwest Deer Park, on the east side of the highway. It is estimated that such highway-oriented commercial properties will appreciate at a 5 percent average annual rate during the 5 years, following completion of US 395 at Deer Park.

City Property Tax Revenues

Property taxes are one of two major revenue sources for the City of Deer Park². The City receives approximately \$2.96 per \$1,000 of assessed value. Thus, increased commercial property values have a major direct and annually recurring positive impact on the City budget. For example, a review of sixteen key commercial business located in southwest Deer Park near US 395 showed that over \$290,000 in property tax revenues were generated for the City in 2001.³ These businesses included the key grocery, hardware, auto dealer, and fast food outlets in this location-sensitive area.

Because the new alignment is forecast to increase area commercial property values, the City of Deer Park, property owners, and the businesses will all benefit. It is projected that City property tax revenues from highway-oriented business will increase by an average yearly rate of 5 percent during the 5-year period following completion of US 395.

Conclusions

The US 395 alignment selected is the best alternative for the long-term economic future of Deer Park. The community has endorsed this alignment. It will have minimal disruptive commercial

² The other is the City's portion of sale tax collections, as delineated earlier.

³ Source: City of Deer Park

impacts. In contrast, relocating US 395 further from Deer Park would create major economic dislocations for local businesses, property owners, and the City of Deer Park.

The concentration of US 395-oriented retail businesses in southwest Deer Park critically depends upon good access to and exposure from US 395. Both of these key location requirements are effectively accommodated by the preferred alignment. It also will enhance safety, regional trade and transport, and will substantially reduce local resident worker commute time. Retailers, property owners, and the City will all financially benefit.

Retail sales are forecast to improve even more than the strong rates recorded in recent years. Such strong retail patronage will increase business profits and, thereby, the ability to pay increased rents to property owners. US 395-oriented property values will increase, resulting in a larger property tax base. Increased City property tax revenues will follow. Both City sales and property tax revenues are projected to increase at higher rates than at present.

Since property taxes and sales taxes are the two major revenue sources for the City of Deer Park, the selected US 395 alignment is the critical element impacting the community's fiscal future. The cost of *not* selecting this preferred alignment would have been very costly to the Deer Park community. Fortunately, the right choice was made. The three major local stakeholders – business, property owners and the City – will all economically benefit from this alignment.

FIGURE 5-1

Source: Washington State Department of Revenue, Real Estate Economics



TABLE 5-1
LOCAL RETAIL SALES AND USE TAX BASE BY TYPE OF BUSINESS
City of Deer Park, Washington

SIC*	52	54	55	56	57	58	59	NON-RETAIL	ALL
BUSINESS TYPE	Bldg. Materials Hardware	Food Stores	Auto Dealers Gas Stations	Apparel and Accessories	Home Furn. and Equipment	Eating and Drinking Places	Misc. Retail	Other	TOTAL
DOLLAR SALES									
2001	\$2,419,648	\$7,559,047	\$10,223,825	\$48,850	\$605,679	\$4,252,077	\$2,552,119	\$20,239,949	\$47,901,194
2000	\$2,571,363	\$7,505,139	\$11,200,263	\$44,773	\$835,399	\$3,375,998	\$2,620,325	\$14,347,174	\$42,500,434
1999	\$2,598,876	\$7,457,831	\$11,776,617	\$41,184	\$798,233	\$3,229,596	\$2,726,383	\$15,184,809	\$43,813,529
1998	\$2,568,122	\$7,717,668	\$10,697,983	\$28,555	\$740,775	\$3,205,012	\$2,740,330	\$18,619,884	\$46,318,329
1997	\$2,023,678	\$7,452,177	\$8,415,018	\$58,740	\$639,185	\$3,132,734	\$2,500,518	\$17,324,983	\$41,547,033
1996	\$2,177,243	\$7,110,552	\$9,005,856	\$81,025	\$581,580	\$2,584,709	\$1,727,392	\$22,858,120	\$46,126,477
1995	\$1,858,791	\$5,262,577	\$8,152,612	\$71,499	\$437,316	\$2,168,639	\$1,821,856	\$19,156,976	\$38,930,266
1994	\$1,712,295	\$4,476,564	\$5,596,189	\$75,851	\$680,260	\$2,154,164	\$1,686,312	\$15,331,531	\$31,713,166
<i>Annual Growth</i>	<i>5.1%</i>	<i>7.8%</i>	<i>9.0%</i>	<i>-6.1%</i>	<i>-1.6%</i>	<i>10.2%</i>	<i>6.1%</i>	<i>4.0%</i>	<i>6.1%</i>
SHARE OF SALES									
2001	5.1%	15.8%	21.3%	0.1%	1.3%	8.9%	5.3%	42.3%	100%
2000	6.1%	17.7%	26.4%	0.1%	2.0%	7.9%	6.2%	33.8%	100%
1999	5.9%	17.0%	26.9%	0.1%	1.8%	7.4%	6.2%	34.7%	100%
1998	5.5%	16.7%	23.1%	0.1%	1.6%	6.9%	5.9%	40.2%	100%
1997	4.9%	17.9%	20.3%	0.1%	1.5%	7.5%	6.0%	41.7%	100%
1996	4.7%	15.4%	19.5%	0.2%	1.3%	5.6%	3.7%	49.6%	100%
1995	4.8%	13.5%	20.9%	0.2%	1.1%	5.6%	4.7%	49.2%	100%
1994	5.4%	14.1%	17.6%	0.2%	2.1%	6.8%	5.3%	48.3%	100%

* Standard Industrial Classification Code

Source: Washington State Department of Revenue, Real Estate Economics

TABLE 5-2
RETAIL AND USE TAX COLLECTION TRENDS
City of Deer Park, Washington

Year	Jan.	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
1994	\$21,267	\$19,943	\$23,558	\$18,866	\$23,647	\$22,670	\$21,790	\$23,312	\$26,467	\$22,838	\$19,789	\$27,639	\$271,786
1995	\$21,945	\$22,569	\$13,785	\$27,240	\$22,639	\$24,218	\$24,427	\$25,887	\$38,617	\$38,164	\$35,928	\$35,767	\$331,186
1996	\$24,768	\$25,601	\$32,133	\$28,340	\$27,897	\$23,966	\$27,728	\$37,459	\$39,718	\$36,953	\$59,065	\$36,074	\$399,702
1997	\$31,886	\$32,681	\$31,851	\$25,291	\$28,059	\$29,990	\$27,301	\$31,701	\$34,475	\$33,293	\$36,107	\$35,854	\$378,489
1998	\$25,543	\$31,044	\$31,815	\$26,060	\$27,043	\$34,405	\$28,848	\$40,139	\$34,942	\$40,694	\$34,700	\$49,095	\$404,328
1999	\$27,268	\$33,921	\$33,786	\$22,489	\$30,278	\$32,489	\$30,004	\$38,525	\$36,867	\$32,677	\$29,073	\$37,870	\$385,247
2000	\$26,318	\$36,019	\$28,298	\$27,310	\$29,003	\$35,112	\$29,072	\$36,007	\$31,400	\$29,893	\$32,180	\$32,380	\$372,992
2001	\$28,359	\$33,312	\$29,365	\$25,647	\$31,824	\$26,416	\$29,697	\$32,803	\$34,930	\$48,658	\$39,747	\$42,389	\$403,147
Seasonal Share	7%	8%	8%	7%	7%	8%	7%	9%	9%	10%	10%	10%	100%

Source: City of Deer Park, Real Estate Economics